



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Adopting a Program for Enforcement of the Renewable Portfolio Standards Program

MEETING DATE: December 21, 2011

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution adopting a Program for Enforcement of the Renewable Portfolio Standards Program ✓

BACKGROUND INFORMATION: On April 12, 2011, the Governor signed SBX1-2, known as the California Renewable Energy Resources Act, which became effective on December 10, 2011. SBX1-2 requires that the amount of electricity generated per year from eligible renewable energy resources be increased to an amount that equals at least 20 percent of the total electricity sold to retail customers in California per year by December 31, 2013, 25 percent by December 31, 2016 and 33 percent by December 31, 2020.

While Lodi will need to adopt a Renewable Energy Resources Procurement Plan to meet the requirements of SBX1-2, the California State Energy Commission will not publish the details of their requirements for such RPS Procurement Plans until December 31, 2011 or later. Staff expects to bring a RPS Procurement Plan to Council for approval in the first quarter of next year. Based on staff's preliminary analysis it is expected that no net purchases will be required through 2013.

SBX1-2 (Public Utilities Code section 399.30(e)) does require the City of Lodi to adopt a Program for Enforcement of the Renewable Portfolio Standards by December 31, 2011. The attached Resolution adopts a Program for Enforcement of the Renewable Portfolio Standards, based on the form suggested by the Northern California Power Agency (NCPA).

It is expected that this Program for Enforcement of the Renewable Portfolio Standards, and its related RPS Procurement Plan, will be reviewed at least annually, with any required changes being brought back to the Lodi City Council for approval.

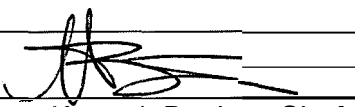
FISCAL IMPACT: No significant financial impact is expected from the approval of the Program for Enforcement of the Renewable Portfolio Standards.

FUNDING AVAILABLE: Included in the FY 2011/12 Budget Account No. 160642.8201.


Elizabeth A. Kirklev
Electric Utility Director

MLF/EAK/1st

APPROVED: _____


Konradt Bartlam, City Manager

RESOLUTION NO. 2011-195

A RESOLUTION OF THE LODI CITY COUNCIL
ADOPTING A PROGRAM FOR ENFORCEMENT OF THE
RENEWABLE PORTFOLIO STANDARDS PROGRAM

=====

WHEREAS, the State of California has an existing California Renewables Portfolio Standard Program (RPS program) that is intended to increase the amount of electricity generated each year from eligible renewable energy resources; and

WHEREAS, on April 12, 2011, the Governor of the State of California signed California Senate Bill 2 of the First Extraordinary Session (SBX1-2, Chapter 1, Statutes of 2011, First Extraordinary Session), known as the *California Renewable Energy Resources Act*; and

WHEREAS, on September 9, 2011, the California Legislature ended the First Extraordinary Session; and

WHEREAS, SBX1-2 became effective on December 10, 2011, 91 days after the end of the First Extraordinary Session; and

WHEREAS, SBX1-2 states the intent of the Legislature that the amount of electricity generated per year from eligible renewable energy resources be increased to an amount that equals at least 20% of the total electricity sold to retail customers in California per year by December 31, 2013, and 33% by December 31, 2020; and

WHEREAS, pursuant to the provisions of Public Utilities Code Section 399.30(a), the City must adopt and implement a renewable energy resources procurement plan (RPS Procurement Plan) to fulfill unmet long-term generation resource needs that requires the City to procure a minimum quantity of electricity products from eligible renewable energy resources, including renewable energy credits, as a specified percentage of the total kilowatt-hours sold to the City's retail end-use customers each compliance period, to achieve specified procurement targets (hereinafter referred to as the "RPS Procurement Plan"); and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that includes compliance periods (Compliance Periods) pursuant to Public Utilities Code Section 399.30(b). Such Compliance Periods shall be January 1, 2011 to December 31, 2013, inclusive (Compliance Period 1), January 1, 2014 to December 31, 2016, inclusive (Compliance Period 2), January 1, 2017 to December 31, 2020, inclusive (Compliance Period 3), and each calendar year after 2020; and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that includes specified procurement targets (Procurement Targets) of renewable energy resources for each Compliance Period pursuant to Public Utilities Code Section 399.30(c)(1) and (2). Procurement Targets must average twenty percent (20%) of retail sales for the period January 1, 2011 to December 31, 2013, must meet twenty-five percent (25%) of retail sales by December 31, 2016, must meet thirty-three percent (33%) of retail sales by December 31, 2020, and must meet thirty-three percent (33%) of retail sales for all years thereafter; and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that includes provisions that address a demonstration of reasonable progress in 2014 and 2015 to ensure the twenty five percent (25%) RPS procurement requirement by 2016, and reasonable progress in each of 2017, 2018, and 2019 to ensure the thirty-three percent (33%) RPS procurement requirement by 2020, pursuant to Public Utilities Code section 399.30(c)(2); and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that includes definitions for three renewable product content categories (Content Categories) pursuant to Public Utilities Code Section 399.30(c)(3) and consistent with Public Utilities Code Section 399.16; and

WHEREAS, the City's RPS Procurement Plan shall include "Content Category 1"; consistent with Public Utilities Code Section § 399.16(b)(1) (A) and (B), Content Category 1, shall include renewable energy resource electricity products that either (A) have a first point of interconnection with a California balancing authority, have a first point of interconnection with distribution facilities used to serve end users within a California balancing authority area, or are scheduled from the eligible renewable energy resource into a California balancing authority without substituting electricity from another source, and which may include the use of another source to provide real-time ancillary services required to maintain an hourly or subhourly import schedule into a California balancing authority, but only the fraction of the schedule actually generated by the eligible renewable energy resource shall count toward this portfolio content category, or (B) have an agreement to dynamically transfer electricity to a California balancing authority; and

WHEREAS, the City's RPS Procurement Plan shall include "Content Category 2"; consistent with Public Utilities Code Section 399.16(b)(2), Content Category 2 shall include firmed and shaped eligible renewable energy resource electricity products providing incremental electricity and scheduled into a California balancing authority; and

WHEREAS, the City's RPS Procurement Plan shall include "Content Category 3"; consistent with Public Utilities Code Section 399.16(b)(3), Content Category 3 shall include eligible renewable energy resource electricity products, or any fraction of the electricity generated, including unbundled renewable energy credits, that do not qualify under the criteria for Content Category 1 or Content Category 2; and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that includes the minimum procurement requirements (Procurement Requirements) of eligible renewable energy resource electricity products associated with contracts executed after June 1, 2010 for each Compliance Period, consistent with Public Utilities Code Section 399.30(c)(3) and Section 399.16; and

WHEREAS, the City's RPS Procurement Plan shall include Content Category 1 Procurement Requirements of not less than fifty percent (50%) of the eligible renewable energy resource electricity for Compliance Period 1, not less than sixty-five percent (65%) of the eligible renewable energy resource electricity for Compliance Period 2, and not less than seventy-five percent (75%) of the eligible renewable energy resource electricity for Compliance Period 3 and every year thereafter, consistent with Public Utilities Code Section 399.16(c)(1); and

WHEREAS, the City's RPS Procurement Plan shall include Content Category 3 Procurement Requirements of not more than twenty-five percent (25%) of the eligible renewable energy resource electricity for Compliance Period 1, not more than fifteen percent (15%) of the eligible renewable energy resource electricity for Compliance Period 2, and not more than ten percent (10%) of the eligible renewable energy resource electricity for Compliance Period 3, consistent with Public Utilities Code Section 399.16(c)(2); and

WHEREAS, the City's RPS Procurement Plan shall include Content Category 2 resources to meet the remaining RSP obligation for any given Compliance Period; and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that provides a definition for contract or ownership agreements originally executed prior to June 1, 2010, (Grandfathered Resources) consistent with Public Utilities Code Section 399.16(d).

Grandfathered Resources shall include any contract or ownership agreement originally executed prior to June 1, 2010, for resources that were RPS eligible under the rules in place when the contract was executed, and for which any subsequent contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity for the facility or expected quantities of annual generation, or substitute a different renewable energy resource; the duration of the contract may be extended if the original contract specified a procurement commitment of fifteen (15) or more years; and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that includes rules for application of excess procurement (Excess Procurement) of eligible renewable energy resource electricity from one Compliance Period to a subsequent Compliance Period consistent with Public Utilities Code Section 399.30(d)(1) and in the same manner as section 399.13(a)(4)(B). Beginning January 1, 2011, Excess Procurement from one Compliance Period may be applied to a subsequent Compliance Period; to determine the quantity of Excess Procurement for the applicable Compliance Period, the City shall deduct from actual procurement quantities, the total amount of procurement associated with contracts of less than ten (10) years in duration, and shall not include any resources designated as Content Category 3; and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that includes conditions for delaying timely compliance consistent with Public Utilities Code Section 399.30(d)(2) and Section 399.15(b). The City may approve a waiver of timely compliance (Waiver of Timely Compliance) in the event that there is inadequate transmission capacity (§ 399.15(b)(5)(A)), permitting, interconnection, or other factors that delay procurement, or insufficient supply (§ 399.15(b)(5)(B)), unanticipated curtailment are mandated to address needs of the balancing authority (§ 399.15(b)(5)(C)), or related factors existed; and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that establishes procedures to employ in the event of an approval of a Waiver of Timely Compliance, which provisions require the City to establish additional reporting for intervening years to demonstrate that reasonable actions under the City's control are being taken (§ 399.15(b)(6)) and to demonstrate that all reasonable actions within the City's control have been taken to ensure compliance in the future (§ 399.15(b)(7)); in no event shall the deficit from prior compliance periods be added to subsequent compliance periods in the event of a Waiver of Timely Compliance (§ 399.15(b)(9)); and

WHEREAS, the City will adopt and implement an RPS Procurement Plan that establishes procedures that address cost limitations for expenditures on renewable resources (Cost Limitations for Expenditures) consistent with Public Utilities Code Section 399.30(d)(3) and Section 399.15(c). Cost Limitations for Expenditures shall be applicable to procurement expenditures for all eligible renewable energy resources used to comply with the renewables portfolio standard, and shall be based on factors that include, but are not limited to, the most recent renewable energy procurement plan, procurement expenditures that approximate the expected cost of building, owning, and operating eligible renewable energy resources, and the potential that some planned resource additions may be delayed or canceled; and

WHEREAS, pursuant to the provisions of Public Utilities Code Section 399.30(m), the City shall retain discretion over the mix of eligible renewable energy resources procured by the City and those additional generation resources procured by the City for purposes of ensuring resource adequacy and reliability, and the reasonable costs incurred by the City for eligible renewable energy resources owned by it; and

WHEREAS, pursuant to the provisions of Public Utilities Code Section 399.30(e), the City is required to adopt a program for the enforcement of the RPS program; and

WHEREAS: pursuant to the provisions of Public Utilities Code Section 399.30(e), the City must adopt a program for enforcement of the RPS program on or before January 1, 2012; and

WHEREAS, the City Council, in compliance with Public Utilities Code Section 399.30(e), desires to adopt a program for the enforcement of the RPS program (RPS Enforcement Program); and

WHEREAS, the City Council, in compliance with Public Utilities Code Section 399.30(e), has provided not less than thirty days' notice of the proposed adoption of the RPS Enforcement Program.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby adopt a program for enforcement of the Renewable Portfolio Standard Program as shown on Exhibit A attached, and this Resolution shall be effective January 1, 2012.

Dated: December 21, 2011
=====


I hereby certify that Resolution No. 2011-195 was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 21, 2011, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Katzakian, Nakanishi, and
Mayor Mounce

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Johnson

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk

Program for Enforcement of the Renewable Portfolio Standards Program

1. The City shall have a program for the enforcement of the RPS program, which shall include all of the provisions, set forth herein and shall be known as the "City's RPS Enforcement Program";
2. The RPS Enforcement Program shall be effective January 1, 2012;
3. Not less than ten (10) days' advance notice shall be given to the public before any meeting is held to make a substantive change to the City's RPS Enforcement Program;
4. Annually, the Electric Utility Director shall cause to be reviewed, the City's RPS Procurement Plan to determine compliance the RPS program;
5. Annual review of the RPS Procurement Plan shall include consideration of each of the following elements:
 - A. By December 31, 2013 (end of Compliance Period 1):
 - Verify that the City has met an average of twenty percent (20%) of retail sales with eligible renewable resources from the specified Content Categories for the period January 1, 2011 to December 31, 2013.
 - If targets are not met, the City must:
 - Ensure than any Waiver of Timely Compliance was compliant with the provisions in the RPS Procurement Plan
 - Review the applicability and appropriateness of excusing performance based on the Cost Limitations on Expenditures provisions of the RPS Procurement Plan
 - B. By December 31, 2014:
 - Ensure that the City is making reasonable progress toward meeting the December 31, 2016 compliance obligation of twenty-five percent (25%) of retail sales with eligible renewable resources, consistent with the RPS Procurement Plan
 - C. By December 31, 2015:
 - Ensure that the City is making reasonable progress toward meeting the December 31, 2016 compliance obligation of twenty-five percent (25%) of retail sales with eligible renewable resources, consistent with the RPS Procurement Plan
 - D. December 31, 2016 (end of Compliance Period 2):
 - Verify that the City has met twenty-five percent (25%) of retail sales with eligible renewable resources from the specified Content Categories for the period ending December 31, 2016;
 - If targets are not met, the City must:
 - Review the applicability of applying Excess Procurement from Compliance Period 1 consistent with the provisions of the RPS Procurement Plan

- o Ensure than any Waiver of Timely Compliance was compliant with the provisions in the RPS Procurement Plan
- o Review applicability and appropriateness of excusing performance based on the Cost Limitations on Expenditures provisions of the RPS Procurement Plan

E. By December 31,2017:

- Ensure that the City is making reasonable progress toward meeting the December 31, 2020 compliance obligation of thirty-three percent (33%) renewable resources electricity, consistent with the RPS Procurement Plan

F. By December 31,2018:

- Ensure that the City is making reasonable progress toward meeting the December 31, 2020 compliance obligation of thirty-three percent (33%) renewable resources electricity, consistent with the RPS Procurement Plan

G. By December 31, 2019:

- Ensure that the City is making reasonable progress toward meeting the December 31, 2020 compliance obligation of thirty three percent (33%) renewable resources electricity, consistent with the RPS Procurement Plan

H. December 31, 2020 (end of Compliance Period 3), and annually thereafter,

- Verify that that the City met thirty-three percent (33%) of retail sales with eligible renewable resources from the specified Content Categories, consistent with the RPS Procurement Plan
- If targets are not met, the City must:
 - o Review the applicability of applying Excess Procurement from a previous Compliance Period consistent with the provisions of the RPS Procurement Plan
 - o Ensure than any Waiver of Timely Compliance was compliant with the provisions in the RPS Procurement Plan
 - o Review applicability and appropriateness of excusing performance based on the Cost Limitations on Expenditures provisions of the RPS Procurement Plan

6. If it is determined that the City has failed to comply with the provisions of its RPS Procurement Plan, the City Council shall take steps to correct any untimely compliance, including:
 - a. review the City's RPS Procurement Plan to determine what changes, if any, are necessary to ensure compliance in the next Compliance Period;
 - b. report quarterly to the City Council regarding the progress being made toward meeting the compliance obligation for the next Compliance Period;
 - c. report to the City Council regarding the status of meeting subsequent compliance targets, and all steps being taken to ensure that the obligation is timely met.

7. Effective Date: This Resolution shall be effective on January 1, 2012.